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## Insurance News & Information

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THE TENNESSEE DEPARTMENT OF COMMERCE & INSURANCE

Spring 2006

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## Greetings from the Commissioner

Unlike weather events, earthquakes strike without warning, sometimes leaving devastation behind. Often, earthquakes in the U.S. occur along the West Coast. However, earthquake potential exists in all states. Although nothing can stop an earthquake, careful preparation and planning can make a difference when it comes to protecting your home and family from the effects of an earthquake.



Here at the Department of Commerce and Insurance, we are taking special measures to prepare for the after effects of an earthquake. I have been appointed the chairman of the NAIC New Madrid Sub Working Group. I attended a briefing on June 10, 2006 in Washington D.C., to discuss the volatility of the fault. My fellow Commissioners in Kentucky, Alabama, Arkansas, Illinois, Mississippi and Missouri joined me as well. We reviewed the seismic hazard information with members of the U.S. Geological Survey and Central U.S. Earthquake Consortium. In the coming months this subgroup will work to identify particular insurance issues in the New Madrid seismic zone.

I hope that you are enjoying this newsletter. Don't forget to sign up online to receive it via e-mail at [www.state.tn.us/commerce/insurance](http://www.state.tn.us/commerce/insurance).

Best Regards,

Paula A. Flowers

Commissioner of the Department of Commerce and Insurance

### — Need Your Input —

Please let us know your thoughts about this newsletter and any input or thoughts you may have for future editions.

[libby.davis@state.tn.us](mailto:libby.davis@state.tn.us)

## Allstate Insurance Drops Certain Earthquake Coverage

As a part of their Catastrophe Exposure Management Actions, Allstate has ceased writing homeowners' policies in Louisiana, Florida, coastal parts of Texas and New York State. The firm has stopped writing new earthquake coverage in

California and most other states. In addition, they are planning to non-renew policies containing earthquake coverage with renewal effective dates on or after September 15, 2006 in the affected states, including Tennessee. ■

## CONSUMER CORNER:

### Focus on Homeowners' Insurance

Whether you are a homeowner or renter, homeowners' insurance offers important protection for your home's physical structure as well as your personal property. In contrast, renters insurance only protects your personal property. Never assume that the landlord's insurance covers you or your belongings.

Landlord's insurance only protects the building. Everyone needs protection against liability for accidents that injure other people or damage their property. Below are explanations about homeowners' insurance coverage and the different types of protection it can provide:

- **Damage to House.** Covers damages to the house itself up to the face amount of the policy.
- **Other Structures.** Covers damage to other structures or buildings, such as a detached garage, work shed or fencing.
- **Personal Property.** Covers damage to – or loss of – personal property. Personal property includes household contents and other belongings used, owned or worn by you and your family. Be aware that certain personal property items like jewelry, antiques and artwork may need special added coverage.
- **Additional Living Expenses.** Covers the necessary living expenses, up to the stated limit, incurred by the insured to continue, as nearly as possible, the normal standard of living when the house cannot be occupied due to a covered loss.
- **Comprehensive Personal Liability.** Protects you against claims arising from accidents to others on property that you own or rent. With a few exceptions, such as auto or boating accidents, it is an all-purpose liability coverage that follows you wherever you go.



- **Medical Expenses.** Covers medical expenses, but is limited to an amount per person and per accident for injuries occurring on your premises to persons other than an insured. It also may cover medical expenses away from your premises if caused by you, a member of your family, or your pets.

You have the option to insure your home and belongings for either replacement cost or actual cash value. Actual cash value is the amount it would take to repair or replace damage to your home *after* depreciation.

Replacement cost is the amount it would take to replace or rebuild your home or repair damages with materials of similar kind and quality, *without deducting for depreciation*. A good rule of thumb is to insure your home for at least 80 percent of its replacement value, recognizing that in most instances, the value of the land doesn't need to be included. For additional information on Homeowners Insurance, please visit [www.state.tn.us/commerce/insurance](http://www.state.tn.us/commerce/insurance).

### Complaints from Consumers

#### January 2006-May 2006

There were a total of **2441 consumer complaints** made to The Consumer Insurance Services Division from January to May 2006. Here is a breakdown of the types of complaints:

<b>Property and Casualty</b> .....	<b>808</b>
Closed .....	302
Open .....	505
Re-opened .....	1
<b>Life and Health</b> .....	<b>1,633</b>
Closed .....	518
Open .....	1115

### Consumer Corner Contact Information:

Director for Consumer Insurance Services: Stephani Ryan  
To file a complaint, please call 1-800-342-4029 or email [cis.complaints@state.tn.us](mailto:cis.complaints@state.tn.us)

The Consumer Insurance Services Section exists to serve all consumers protected by an insurance product in Tennessee. We're here to help you protect your rights and – when necessary – mediate complaints against insurers. We can offer valuable resources to help you evaluate and choose the right insurance product, to check on agents, companies and products, and to troubleshoot problems. ■

### Homeowners' Insurance Carriers (Top ten based on premium volume in Tennessee for the year 2005)

- State Farm Fire and Casualty Company
- Tennessee Farmers Mutual Insurance Company
- Allstate Insurance Company
- Allstate Indemnity Company
- The Standard Fire Insurance Company
- Nationwide Mutual Fire Insurance Company
- Auto-Owners Insurance Company
- Mid-Century Insurance Company
- United Services Automobile Association (A Reciprocal Interinsurance Exchange)
- Foremost Insurance Company

## DISCIPLINARY ACTIONS

### TDCI Disciplinary Actions Against Insurance Companies

#### Dixie National Life Insurance Company

—Indianapolis, Indiana  
Dixie National Life Insurance Company's certificate of authority was summarily suspended for failing to maintain adequate surplus.

#### Realm National Insurance Company

—New York, New York  
Realm National Insurance Company's certificate of authority was revoked pursuant to an agreed order entered on March 17, 2006.

### TDCI Disciplinary Actions Against Insurance Agents/Producers

#### Rhonda Suzann Smith Jurgensen

(751248) - Lawrenceburg, TN – Revocation was final on April 28, 2006, for failure to forward premiums to insurance company.

#### Charles T. Kimery

(663905) – Erwin, TN – Revocation was final on April 26, 2006, for being convicted of felony theft of property.

#### Sharon K. Miracle

(843289) – Knoxville, TN - Revocation was final on March 27, 2006, for providing information known to be false on life insurance application.

#### Robert L. Pruitt

(636005) – Memphis, TN – Revocation was ordered on April 20, 2006, with a \$15,000 penalty for misappropriation of premium.

#### Steven Jack Wood

(705632) – Brentwood, TN - Revocation was final on April 26, 2006, for failing to obey a subpoena issued by the Commissioner.

## A • R • T • I • C • L • E • S

### Workers' Compensation Assigned Risk Pool

The WCARP has experienced a substantial drop in the size of the assigned risk pool as compared to the total market in Tennessee. The Commissioner's depopulation initiative that went into effect January 1, 2005, requiring policyholders that have been in the pool for three or more years to be non-renewed, appears to have had an impact on decreasing the size of the pool. This initiative requires companies to seek coverage in the standard market before reapplying. The total pool premium to the overall market has dropped to 11.02% in 2005, down from 14.94 % in 2004. This trend is continuing on into 2006.

### Workers' Compensation Loss Cost Multiplier Drop

The Department of Commerce and Insurance recently calculated the weighted average Loss Cost Multiplier. It dropped to 1.43, from 1.46 in 2005. This is an indication that insurers are becoming more competitive in pricing their business in our

state. The weighted average is at the lowest level it has been in the past four years. The Department also has seen an influx of new carriers applying to do business in Tennessee since December. We have received initial filings from fourteen new carriers. This is a sign that the 2004 reform bill is making Tennessee more attractive to insurers.

### Medicare Part D

Since October 1, 2005, marketing for the new Medicare prescription benefit, Medicare Part D, has been permissible. According to the Centers for Medicare and Medicaid Services (CMS), only state-licensed insurance producers may engage in marketing activity. The Medicare Modernization Act does not preempt producer licensing laws. Thus, state law and regulatory provisions regarding producer activity apply to the marketing of Medicare Part D.

In Tennessee we currently have 26 companies that are offering this type of coverage. Some of these entities are

licensed with our state and others have had the licensing requirement waived by CMS during the initial trial period.

To see a list of these companies and their current Tennessee License status, please visit [www.state.tn.us/commerce/insurance](http://www.state.tn.us/commerce/insurance).

### NAIC Adopts a Product Regulation Compact

The National Association of Insurance Commissioners (NAIC) Interstate Insurance Product Regulation Commission has adopted a new Product Regulation Compact. The Commission has set a plan and timeline to make the Compact fully operational by early 2007. It will provide states with the ability to make regulatory decisions based on uniform national standards on products, such as life insurance, annuities, disability income and long-term care insurance. They have established a central location for filing these asset protection insurance products that will allow companies to be more efficient and competitive in the marketplace.

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## A • R • T • I • C • L • E • S

The Department is currently evaluating the Compact and its feasibility in our state. New legislation would have to be passed in order for Tennessee to participate. The 26 states currently compacting are Alaska, Colorado, Georgia, Hawaii, Iowa, Idaho, Indiana, Kansas, Kentucky, Maryland, Maine, Minnesota, North Carolina, Nevada, New Hampshire, Ohio, Oklahoma, Pennsylvania, Rhode Island, Texas, Utah, Virginia, Vermont, Washington, West Virginia and Wyoming. There are 10 additional states that are pending legislation.

### Recent Legislation

We would like to make you aware of some significant bills that passed in the previous legislative session. Some of these bills are still awaiting signature by the Governor. To view a full description of each, please visit [www.legislature.state.tn.us](http://www.legislature.state.tn.us)

Department legislation (**HB 4047**) was passed by both the House and Senate and currently awaits signature by the Governor. This bill will permit insurance companies to file annual statements and premium tax reports and payment via electronic means. This bill will also extend insurance producers renewal periods from one year to two years, and becomes effective January 1, 2007. The bill also authorizes the Commissioner to promulgate rules to implement this legislation.

Public Chapter 805 (**SB3002**) was signed by the Governor on June 2, 2006, and mandates that all insurers offering homeowners' insurance in this state make available coverage for sinkhole losses on any dwelling, including personal property contained in the dwelling. Insurance companies will be required to make a new filing with the Department to extend their current policy to include coverage for sinkhole losses, and may make an additional charge for this coverage. The bill also sets minimum standards for insurers investigating a sinkhole claim, and takes effect for all new and renewal policies entered after January 7, 2007. The law also authorizes the Commissioner to promulgate rules to implement this legislation.

Public Chapter 689 (**SB3504**) was signed by the Governor on May 18, 2006, and establishes the qualifications and procedures for licensing and other general regulatory requirements for county mutual insurance companies insuring risk and property in this state. This public chapter takes effect on January 1, 2007, while the provisions related to the licensing of insurance producers selling county mutual insurance coverage takes effect on July 1, 2007. The law also authorizes the Commissioner to promulgate rules to implement this legislation.

**SB 2719** was passed by both the House and Senate and currently awaits signature by the Governor. This bill will require insurance companies and self-insured plans (to the extent not preempted by federal law) to provide coverage for autism disorders for children under the age of 12 to the same extent that it covers other neurological disorders under the policy. The bill applies to contracts and plans entered or renewed after January 1, 2007.

**HB 3676** was passed by the House and Senate and currently awaits signature by the Governor. This bill will require the licensing of public adjustors by the Department, and becomes effective July 1, 2007. The bill also authorizes the Commissioner to promulgate rules to implement this legislation.

Public Chapter 536 (**SB2117**) was signed by the Governor on April 24, 2006, and authorizes the Commissioner to assess civil penalties upon a finding that a workers' compensation insurer has without any lawful basis assessed an employer premium for individuals who are not employees or on the basis of improper classification of employees. The law also authorizes the Commissioner to promulgate rules to implement this legislation and takes effect September 1, 2006.

### FOR RECENT COMPANY RATE FILINGS INFORMATION

Go to:

[www.state.tn.us/commerce/insurance/consumerRes.html](http://www.state.tn.us/commerce/insurance/consumerRes.html)

**For consumer tips on tornado damage and earthquake preparation, please visit**  
[www.state.tn.us/commerce/insurance](http://www.state.tn.us/commerce/insurance)

If you have questions/changes concerning your agent license, please visit

[www.state.tn.us/commerce](http://www.state.tn.us/commerce) and check out our Agent Licensing Resource page. This office is responsible for the licensing and regulation of insurance agents. Approximately 95,000 agents are licensed to do business in Tennessee. Online license renewal will be coming soon.